

**LODI CITY COUNCIL
SPECIAL CITY COUNCIL MEETING
CARNEGIE FORUM, 305 WEST PINE STREET
TUESDAY, AUGUST 2, 2005**

A. CALL TO ORDER / ROLL CALL

The Special City Council meeting of August 2, 2005, was called to order by Mayor Beckman at 7:06 a.m.

Present: Council Members – Hansen, Johnson, and Mayor Beckman

Absent: Council Members – Hitchcock and Mounce

Also Present: City Manager King, City Attorney Schwabauer, and City Clerk Blackston

B. REGULAR CALENDAR

B-1 "PCE/TCE water rate increase issues"

City Manager King reviewed a chart entitled "PCE/TCE Decision Tree" (filed). He commented that the notice regarding the September 21 public hearing to consider the proposed water rate increase has not yet been mailed to property owners.

City Attorney Schwabauer reported that the State of California Central Valley Regional Water Quality Control Board has made an administrative determination that the City is liable for the contamination because of the operation of its water and sewer utilities and that it knew the contamination was there and did not repair the leaking infrastructure. The Board determined that the City operated its wells in a way that caused the contamination to move around in the ground and become more difficult to clean up. The Board has now ordered the City to clean up the contamination and it will impose daily fines against the City for every day it is in violation. The City has been involved in litigation for the past five years and has expended \$25 million in attorneys' fees in an attempt to force insurance companies to pay for the cleanup. Most of the defendants are small businesses. Their insurance companies all have defenses to coverage, and policies were written with an exception that they do not cover pollution unless it was both sudden and accidental. The City has brought in settlements of over \$17 million. There is a possibility of recovering more through settlements; however, it will not be enough to pay for the cleanup. Mr. Schwabauer stated that if something is not done to remediate the contamination it will eventually impact all the City's wells. He noted that the City owed Lehman Brothers \$32 million and it settled for \$7.9 million. The City did not pay any interest on the loan and did not pay all the principle.

Council Member Hansen pointed out that the City did not put the contaminants into the sewer system. At the time it occurred, no one knew the eventual effect it would have on the City's groundwater. Chemicals were also poured directly onto the ground and have contaminated the soil.

Mr. King reported that grants have been explored. An appeal was made directly to Congressman Pombo; however, no affirmative answer has been forthcoming thus far. The City could pay the cleanup costs with existing funds; however, it would cause impacts. One option would be to take funding from the Water/Wastewater infrastructure replacement fund. The cleanup program will cost approximately \$3 million a year. He pointed out that the City got into its current situation partly due to leaking pipes, so it would seem counterproductive not to replace them. Another option would be to use a combination of the Water/Wastewater replacement fund and the General Fund. A third option would be to use only the General Fund. \$3 million is 6.85% of the General Fund expenditure. Twenty-nine positions were left vacant in this year's budget and, of these, eight were public safety employees. The City's General Fund is currently \$5 million less than what it should be. If the City were to absorb another \$3 million from the General Fund, the following impacts could be expected:

- Library – Reduction in hours, programs, and materials.
- Public Works – Elimination of all downtown cleanup and the graffiti abatement program. Reductions would occur in: 1) clerical support, 2) fleet & facilities maintenance, 3) landscape maintenance, 4) street sweeping, 5) pavement maintenance, and 6) inspection programs.
- Fire Department – Reduction of six positions.
- Community Center – Cancellation of the art grant program, Youth Commission, Friday Art Hop, and Celebrate America event.
- City Clerk – The electronic records management system would be negatively impacted, the project to conduct in-house codification of the Lodi Municipal Code would be eliminated, and there would be insufficient staff to handle special events.
- City Manager – Coordination for economic development activities would be eliminated, assistance for citizen complaints and follow-up would be curtailed, reduction in community programs, and there would be no staff for programs such as Celebration on Central.
- Parks & Recreation – Contract tree maintenance would be done for emergencies only, support for the Lodi Swim Club would be eliminated, Blakely Pool would be closed from Labor Day to Memorial Day, and special programs would be placed on hold.
- Police Department – Elimination of: 1) bike patrol, 2) school resource officer, 3) special investigations detective, and 4) three officers and one sergeant from the traffic unit.

Public Works Director Prima reported that the estimated cost to cleanup the PCE/TCE contamination is \$45.7 million, which includes \$12 million spent previously that needs to be paid back in order to continue the capital replacement program. Bartle Wells Associates has considered various rate alternatives and recommends a modified pay-as-you-go approach, as it would produce the least amount of cost overall, minimize the annual rate increases, and make them predictable. It is recommended that cash from settlements be used, accrued expenses be repaid, and the rate increases be phased in. The rate for a three-bedroom home would increase \$3.50 in January 2006, \$3.50 in July 2006, and \$3.50 in July 2007. Without a water rate increase, by the end of 2007, the Water fund would be in a negative position and would continue downward.

In reply to Council Member Hansen, Mr. Prima stated that the rehabilitation done on old sewers by lining them with PVC or polyethylene liners is nearly leak free. He noted, however, that even new sewers have an allowable leakage though it is very minor compared to old concrete and clay pipe. The infrastructure plan now in place at \$2 million a year is a 100-year plan.

Mr. Prima reported that the State of California and Federal agencies have declared that PCE/TCE is carcinogenic. The contaminants are also in the soil between the surface and the water, which can cause vapor to intrude into buildings. Levels of vapor have been detected in various buildings that are of concern. The acceptable limit of PCE/TCE in drinking water is five parts per billion. Mr. Prima reported that he has seen readings as high as 18,000. The City's entire water system is tied together. There are a couple of wells that are showing traces of PCE/TCE below the drinking water standard. Cleanup of the contaminants is done by soil vapor extraction, sparging, and groundwater extraction. Soil vapor extraction and sparging will be done for five years and groundwater extraction will take 30 years. Mr. Prima reviewed a list of frequently asked questions and answers (filed). He noted that the majority of the comments received from the public relate to the inequity caused by charging water rates based on the number of bedrooms in a home. He reported that the State has mandated that cities install water meters and charge according to commodity use. This year's budget includes funding to purchase 400 water meters. All new services installed on the east side are now ready for a meter, as are all services that were installed since the mid-1980s.

PUBLIC COMMENTS:

- Glenn Penner stated that the number of bedrooms is irrelevant to the amount of water being used; it is the number of occupants that dictates water usage. He asked if there would be any provision, such as showing tax forms, as proof that there are only one or two people living in three- or more bedroom homes.

C. ADJOURNMENT

There being no further business to come before the City Council, the meeting was adjourned at 8:14 a.m.

ATTEST:

Susan J. Blackston
City Clerk